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Agricultural Exports to Cuba

Cuba has been under an economic embargo that prohibits general trade between the U.S. and Cuba since 1963. Congress amended the trade ban against Cuba in 2000 with the Trade Sanctions Reform and Export Enhancement Act (TSREEA), which authorized licensed agricultural sales as long as they are financed by payment of cash in advance or through financing by a third-country financial institution using a letter of credit. Between January 2001 and January 2005, U.S. poultry product exports to Cuba have totaled almost 200,000 metric tons valued at about \$126 million, mostly chicken leg quarters. Cuba is the seventh largest market for U.S. poultry.

The interpretation of "payment of cash in advance" came under scrutiny by the Treasury Department's Office of Foreign Assets Control (OFAC) in the latter part of 2004. On February 22, 2005, the OFAC amended the Cuban Assets Control Regulations (CACR), 31 CFR part 515, to clarify the meaning of the term "payment of cash in advance," which is used in the restrictions on payment and financing terms for authorized exports from the United States to Cuba. "Payment of cash in advance" now means that the seller, or the seller's agent, receives payment prior to shipment of the goods from the port at which they are loaded.

The final rule on U.S. payment policy went into effect on the day it was announced, with a 30-day window until March 24, 2005 for such transactions to be completed. The new policy did not make an exception of current contracts, which could risk nullifying all outstanding contracts. Because the CACR involve a foreign affairs function, no notice of proposed rulemaking was required and there was no opportunity for public participation or delay in effective date.

Some exporters had been using "cash against documents (CAD)." Using CAD, after the shipping documents were received and the goods inspected at the port, Cuba would be informed and begin to make payment. Funds would be wired from Cuba to a third country bank and then wired to the shipper's account. Once the funds were received Cuba took possession of the goods. Cuba may use letters of credit through a foreign bank, but exporters

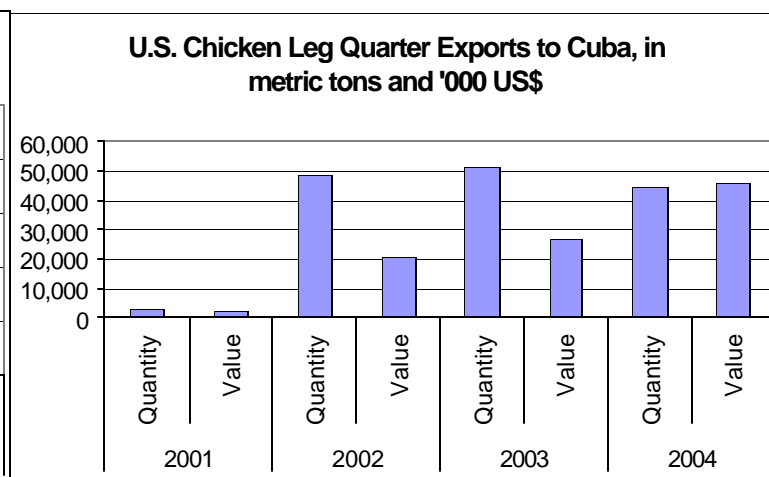
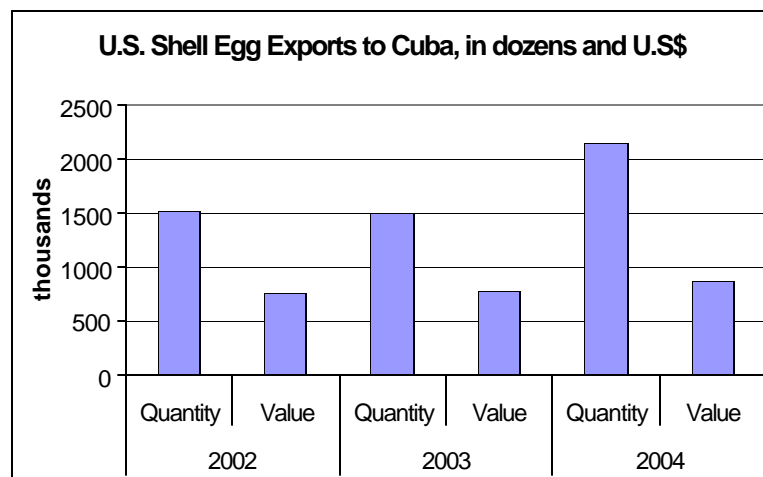
say that will increase the time and costs of transactions. Cuba refuses to pay cash in advance for goods on fears that its property would be confiscated by Cuban exiles in the U.S. with legal claims.

The House and Senate have submitted identical bills (H.R.719 and S.328) to amend the TSREEA of 2000. Language in the Agricultural Export Facilitation Act of 2005 clarifies Congress' intent to sell agriculture goods to Cuba by defining "cash payment in advance" as receipt of payment before transfer of title and release of physical control of goods to the seller. The bills prohibit the President from restricting direct transfers from a Cuban financial institution to a U.S. financial institution executed in payment for a product authorized for sale under TSREEA of 2000.

On March 16, 2005, bills S.634 and H.R. 1339 were introduced to clarify payment terms for sales of agricultural commodities and products to Cuba under the TSREEA of 2000. The amended versions state payments of cash in advance means the payment by the purchaser of an agricultural commodity or product and the receipt of such payment by the seller prior to the transfer of title of such commodity or product to the purchaser, and the release of control of such commodity or product to the purchaser.

Since the passage of TSREEA in 2000, total U.S. agricultural exports have grown from nearly zero to almost \$400 million in 2004. When transportation, port fees and insurance costs are included, the value climbs to about \$1 billion. Cuba is now the 25th largest export market. Shell egg exports grew from 1.5 million dozen in 2002 to 2.2 million dozen in 2004. Exports of chicken leg quarters grew from 2,997 metric ton in 2001, to 44,383 metric tons in 2004.

Source: U.S. Federal Register; U.S. Library of Congress; Statement of the American Farm Bureau to the House Committee on Agriculture March 16, 2005; Testimony of Robert Werner, Director, Office of Foreign Assets Control, U.S. Department of the Treasury, before the House Committee on Agriculture March 16, 2005; Department of Commerce, U.S. Census Bureau; news wires



Inspected Egg Products-U.S. & Canada Export/Import Trade**U.S./Canadian Live Poultry Slaughtered Under Inspection**

W/E Mar 19, 2005 (PRELIMINARY)

U.S. Exports to Canada, in Pounds (000) (Preliminary)

Week Ending March 19, 2005		Year-To-Date		
TYPE	2005	2004 1/	2005 2/	2004
Liquid	205	190	2,326	1,686
Frozen	0	0	0	0
Dried	0	53	61	187
Total	205	243	2,387	1,873

U.S. Imports From Canada, in Pounds (000) (Preliminary)

Week Ending March 19, 2005		Year-To-Date		
TYPE	2005	2004 1/	2005 2/	2004
Liquid	77	0	1,820	1,084
Frozen	3	0	258	332
Dried	0	74	300	705
Total	80	74	2,378	2,121

Inspected Shell Eggs**U.S Exports To Canada, In 30-Dozen Cases (Preliminary)**

Week Ending March 19, 2005		Year-To-Date		
TYPE	2005	2004 1/	2005 2/	2004
Jumbo	0	0	33	50
Extra Large	1,500	540	3,300	3,450
Large	3,200	1,160	10,660	11,053
Medium	1,500	750	11,025	8,280
Ungraded	2,220	1,500	3,842	14,978
Misc	0	0	2,263	0
Total	8,420	3,950	31,123	37,811

1/ Comparable Week, to-date figures may not total due to rounding.

2/ Includes revisions to previous week(s).

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section
Source: USDA/AMS Poultry Programs, Market News Branch.**U.S. Fowl Slaughtered Domestically**

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,385	1,402	2,787
Last Week	1,720	1,317	3,037
Same week yr ago	1,283	1,338	2,621
To-date/2005	15,920	14,321	30,241
To-date/2004	14,020	13,984	28,004

U.S. Fowl Slaughtered in Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	218	0	218
Last Week	261	7	268
Same week yr ago	377	0	377
To-date/2005	3,350	11	3,361
To-date/2004	2,747	28	2,775

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

Total U.S. Fowl slaughtered in the U.S. and Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,603	1,402	3,005
Last Week	1,981	1,324	3,305
Same week yr ago	1,660	1,338	2,998
To-date/2005	19,270	14,332	33,602
To-date/2004	16,767	14,012	30,779

Source: USDA/AMS Poultry Programs, Market News Branch

CENTRAL REGION MECHANICALLY SEPARATED CHICKEN

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE CENTRAL REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

Mar 25, 2005

CHICKEN WITH SKIN ADDED

--- PRICES ---		---- VOLUME ----		
FAT CONTENT	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	-	-	-	-
WTD AVERAGE				
15-20%				
RANGE	25.00-28.00	12.00-27.00	1,286,000	-
WTD AVERAGE	26.02	19.40		
20% OR MORE				
RANGE	-	-	-	-
WTD AVERAGE				

* INCLUDES THE STATES of AL, AR, IA, IL, IN, KS, KY, LA, MI, MN, MO, MS, ND, NE, OK, OH, SD, TN, TX, WI

EASTERN REGION MECHANICALLY SEPARATED CHICKEN

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE EASTERN REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

Mar 25, 2005

CHICKEN WITH SKIN ADDED

--- PRICES ---		---- VOLUME ----		
FAT CONTENT	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	18.25	24.75	420,000	260,000
WTD AVERAGE	18.25	24.75		
15-20%				
RANGE	19.50-28.00	23.00-27.50	2,512,000	1,612,000
WTD AVERAGE	23.98	25.26		
20% OR MORE				
RANGE	-	20.00	80,000	-
WTD AVERAGE		20.00		

* INCLUDES THE STATES of CT, DE, FL, GA, MA, MD, ME, NC, NH, NJ, NY, PA, RI, SC, VA, VT, WV

NATIONAL YOUNG TURKEY PARTS AND BULK MEAT, FROZEN (UNLESS SPECIFIED), CENTS PER LB., DELIVERED FIRST RECEIVERS, PART AND FULL TRUCKLOTS AS OF 25 MARCH 2005.

The market tone on tom breast meat and breast trim was fully steady to firm, destrapped tenderloins steady to fully steady, fresh wing meat with skin and scapula mostly steady, frozen breast trim and scapula steady to barely steady. Demand slow with some contacts closed for the long holiday weekend. Offerings mixed due in part to the shortened processing schedules. Trading centered on moderate volumes of fresh tom breast meat for domestic shipments and on tom drums for export, balance slow. For domestic: plant grade basted 14-16 lb. breasts 122-124 and 18-20 lb. breasts 122, fresh scapula 118-128 mostly 125-128, fresh breast trim 140-152 mostly 140 cents delivered.

FRIDAY, MARCH 25, 2005**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)	WEEKLY WTD AVG PRICE	WEEKLY VOLUME (000)
DRUMSTICKS, TOMS	38.00-40.00		38.32	252	38.18	1,872
WINGS FULL-CUT - TOMS		R	31.00	30	31.73	110
WINGS, V-TYPE, TOM		R	39.00	52	39.00	52
TAILS		F	24.50	40		
MECHANICALLY SEPARATED 2/		W	30.00	52	30.00	52
THIGH MEAT - FROZEN	85.00		85.00	104	88.97	576

THURSDAY, MARCH 24, 2005**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS	37.00-40.00		39.09	784
WINGS FULL-CUT - TOMS	31.00		31.00	30
WINGS, V-TYPE, TOM	39.00		39.00	52
TAILS		F	24.50	40
MECHANICALLY SEPARATED 2/		W	30.00	52
THIGH MEAT - FROZEN	86.00-99.00		89.95	352

WEDNESDAY, MARCH 23, 2005**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS	37.00		37.00	156
WINGS FULL-CUT - TOMS	32.00		32.00	80
WINGS, V-TYPE, TOM		F	52.00	104
TAILS		F	24.50	40
MECHANICALLY SEPARATED 2/	30.00		30.00	52
THIGH MEAT - FROZEN	89.50		89.50	120

TUESDAY, MARCH 22, 2005**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS	37.00-40.00		37.38	640
WINGS FULL-CUT - TOMS		F	30.08	248
WINGS, V-TYPE, TOM		F	52.00	104
TAILS		F	24.50	40
MECHANICALLY SEPARATED 2/		F	30.00	104
THIGH MEAT - FROZEN		F	86.63	768

MONDAY, MARCH 21, 2005**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS	37.00		37.00	40
WINGS FULL-CUT - TOMS		F	30.08	248
WINGS, V-TYPE, TOM		F	52.00	104
TAILS		F	24.50	40
MECHANICALLY SEPARATED 2/		F	30.00	104
THIGH MEAT - FROZEN		F	86.63	768

1/ CODES FOR LAST SIGNIFICANT TRADE (L.S.T.): M=MONDAY T=TUESDAY W=WEDNESDAY R=THURSDAY F=FRIDAY

2/ Product contains 15-20% fat with skin added.